

197—9.3(534) General provisions.

9.3(1) The total combined investment which may be made by an association, in consumer loans and securities covered under these rules, shall not exceed 20 percent of its assets.

9.3(2) Indirect loans may not be made through a dealer unless the dealer is approved by the association's board of directors.

9.3(3) The total balances of all outstanding unsecured consumer loans that can be made under these rules to one borrower is limited to the lesser of one-fourth of 1 percent of the association's assets or 5 percent of its net worth. However, any association may make up to \$3,000 in unsecured loans to any one borrower and, beginning on January 1, 1982, and annually thereafter, such amount shall be adjusted by the dollar amount that reflects the percentage increase, if any, in the Consumer Price Index during the previous 12 months as shown in the Index.

9.3(4) If a loan that may be made under these rules is also authorized to be made under another rule or statute, which may have different percentage-of-assets and other limitations or requirements, an association shall have the option of choosing under which applicable rule or statute the loan shall be made.

9.3(5) As of the date of purchase of commercial paper or corporate debt securities, as shown by the most recently published rating made of such investments by at least one nationally recognized investment rating service, the commercial paper must be rated in either one of the two highest grades and the corporate debt securities must be rated in one of the four highest grades.

9.3(6) The commercial paper or corporate debt securities shall be denominated in dollars and the issuer shall be domiciled in the United States.

9.3(7) At any one time, an association's total investment in the commercial paper and corporate debt securities of any one issuer, or issued by any person or entity affiliated with such issuer, shall not exceed 1 percent of the association's assets. This provision shall not apply to investments in the shares of an open-end management investment company, in which cases an association's total investment in the shares of any one such company shall not exceed 5 percent of the association's assets.

9.3(8) Investments in corporate debt securities convertible into stock are subject to the following additional limitations:

- a.* Purchase of securities convertible into stock at the option of the issuer is prohibited;
- b.* At the time of purchase, the cost of such securities must be written down to an amount which represents the investment value of the securities considered independently of the conversion feature;
- c.* Such securities must be traded on a national securities exchange; and
- d.* Associations are prohibited from exercising the conversion feature.

9.3(9) At any one time, the average maturity of an association's portfolio of corporate debt securities may not exceed six years.

9.3(10) An association shall maintain information in its files adequate to demonstrate that it has exercised prudent judgment in making investments under this section.